

ACCOUNTANCY

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PROFESSIONAL NOTES

Concessions—The White Paper

The Chancellor of the Exchequer, following his undertaking given some months ago, has now presented to Parliament "A List of Extra-Statutory Wartime Concessions given in the Administration of Inland Revenue Duties." Whilst welcoming the list, we must express regret that it deals only with war-time concessions. There are many other concessions of long standing that ought to be given equal publicity and are just as important in war-time as in peacetime. We hope that the House will press for their publication. The White Paper, which is obtainable from H.M. Stationery Office or through any bookseller, price 4d. net, deals with war-time concessions in Income Tax, E.P.T., N.D.C., Death Duties, and Stamp Duties. The very necessary warning is emphasized that while the concessions are of general application, it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the concession. The reluctance of the Treasury in publishing concessions was unfortunately given some support by the fact that certain newspapers mentioned extracts out of their context, thus giving a false interpretation, e.g., in mentioning that Savings Certificates given to employees as Christmas presents are not treated as taxable remuneration,

they omitted the very important proviso that the Certificates must be given in lieu of presents usually given in kind. We shall deal with the White Paper in more detail next month. In the meantime, we advise every reader to obtain a copy.

Britain's War-time Exports

Official statistics of exports, revealed for the first time after a lapse of nearly four years, show that in 1943 our exports amounted to no more than 29 per cent. of the 1938 volume. Owing to the rise in prices, however, the sterling proceeds were reduced by only about half, from £471 million in 1938 to £232 million last year. In the early months of the war, when the United States and many other countries were still neutral, the demands of the war effort called for an actual expansion in exports. The export drive of 1940, in fact, succeeded in raising our exports to a peak level of £135 million for the three months, March to May, 1940, as compared with the 1938 quarterly average of only £118 million. Subsequently exports were directed only to those markets where they were still needed to bring in essential foreign exchange, particularly the United States. With Lend-Lease and the entry of the United States into the war, fortunately, our need for dollar exchange became less urgent; and for some time past, as the official summaries point out, it has been increasingly possible to

apply the principle that exports are permitted only when they are essential to the life of the country concerned.

In the process there has been a considerable shift both in the composition and in the direction of trade; for example, exports of chemicals show a substantial increase, contrary to the general trend. In 1943, our best customers were Australia, Canada, and South Africa, followed by the United States, India, and New Zealand, these six countries taking just over half of our total exports. The figures should serve a valuable purpose in disposing of the suspicions sometimes voiced in the United States that this country has been taking advantage of Lend-Lease to push its commercial exports. Apart from the drastic drop in total trade, the figures clearly show that in some lines, such as tinplate, our Dominion markets have in fact been handed over to competitive sources of supply. While the figures emphasise that we shall have to start almost from scratch in achieving the 50 per cent. over-all increase in exports that will be needed after the war, it must be remembered that this represents little more than our actual volume of trade in pre-war boom years. Although our export prices have risen by 71 per cent., moreover, United States prices have risen by 50 per cent., and the dollar value of sterling has fallen by 17½ per cent., so that on a price basis, our competitive position *vis-à-vis* the United States has not suffered during the war.

Mr. A. de V. Leigh

Members of the London Chamber of Commerce have marked their appreciation of the services of Mr. A. de V. Leigh, M.B.E., M.A., Secretary of the Chamber for the last twenty-one years, by presenting to him a cheque for £2,260, and a book containing the signatures of the 2,260 members by whom the amount was subscribed. The ceremony was held at Caxton Hall, Westminster, where there was a large attendance. Mr. J. McLean, Chairman of the Council, in making the presentation, used the notes of a speech prepared by the President, Major-General Sir Evan Gibb, who was absent owing to illness. During Mr. Leigh's tenure of office the Chamber's membership had increased from 7,371 to over 11,000, and there had been a corresponding increase in prestige and authority. The present high standing of the Chamber said much for Mr. Leigh's sound judgment and integrity of purpose as its chief executive officer. Mr. A. de V. Leigh, in reply, referred to the young men on the staff of the Chamber who were now in H.M. Forces. Several of them had won distinctions. He hoped they would all return with an enlarged experience of men and affairs. The youth of the country would not expect to return to a bed of roses, but they would expect to find a clear and worth-while objective in an economic world which would make sense. We might be forgiven if we made different mistakes after this war from those we made after the last war, but not if we made the same mistakes again.

Local Authorities and Income Tax

Local authorities, unfortunate insofar as the Inland Revenue authorities have consistently sought to split up their transactions for taxation purposes in a disadvantageous manner, are fortunate in having at hand, in the power to promote local Acts of Parliament, a potential means of partial redress. The local Act powers relating to the retention of tax deducted from interest which some authorities had obtained were found to be effective in the test case of *Allchin v. Corporation of South Shields*, noticed in these columns a short time ago. Only those relatively few authorities with the special powers can benefit by the decision of the House of Lords; others still labour under the disabilities of general legislation. After this decision was given, local authorities began seeking ways of extending the benefits to all authorities. The Chancellor of the Exchequer has now announced that this is to be done by the inclusion in the next Finance Bill of appropriate clauses, which are to be effective from the beginning of the current income tax year, 1944-45. The point at issue related to Rule 21 (All Schedules) of the Income Tax Act, 1918. Briefly, the effect of the South Shields legislation as now interpreted by the House of Lords is to increase materially the extent to which local authorities can regard tax retained from interest as covered by taxed profits. The sums involved are considerable, especially where the local authorities have a number of trading undertakings.

What is Fair Compensation?

The dispute over the compensation clauses of the Town and Country Planning Bill, which in some quarters has been represented as an issue of party politics, was in reality one of principle. And the point of principle was whether the planning of whole areas is to be financed equitably by the community at large, or by the partial expropriation of the particular individuals whose property is taken over in the process. The original Bill provided only for compensation at 1939 prices, which are quite out of line with current replacement costs, and make no allowance for the intervening rise in the cost of living, i.e., for the decline in the purchasing power of money. In the revised clauses, the Government in effect conceded the point of principle by providing for an increase in the case of owner-occupiers up to 30 per cent. above the 1939 level, but with a proviso that a case for the additional 30 per cent. would have to be made out in each instance. Opposition thus continued to the revised clauses on the grounds, first, that there is no justification for the discrimination made between owner-occupiers and others, and, secondly, that the 30 per cent. increase was an arbitrary figure which does not in fact reflect the rise in prices generally, still less in building costs. As *The Economist* pertinently, though rather strongly, comments: "the whole episode is an example of the growing tendency to argue that robbery is not robbery if the victim is rich." Probably the real source of the difficulty is that current prices reflect not only the war-time fall in the value of money, but also the abnormal

shortage of accommodation due to bomb damage and the suspension of normal building. As the late Lord Stamp argued after the last war, property owners are not entitled to take advantage of an abnormal housing situation due to war conditions, but they are certainly fully entitled to compensation for a general rise in prices (reflecting an increase in the money earnings of all other factors of production). Already, rent restrictions have had a discriminatory effect on incomes derived from real property, which have been stabilised while all other incomes have risen sharply, with the result that rent took only 4 per cent. of the national income last year, as against about 8 per cent. before the war.

Income Tax Frauds

The Chancellor of the Exchequer, answering a recent question in Parliament, explained that the present practice of the Commissioners of Inland Revenue in regard to instituting criminal proceedings for alleged frauds by taxpayers is governed by Section 34 of the Finance Act, 1942. The Commissioners have a general power to accept pecuniary settlements instead of instituting criminal proceedings. They can, however, give no undertaking to a taxpayer that they will follow this course, even where the taxpayer has made full confession and has given full facilities for investigation of the facts. They reserve to themselves complete discretion in all cases, but it is their practice to be influenced by the fact that the taxpayer has made a full confession and has given full facilities for investigation into his affairs and for examination of such books, papers, documents, or information as the Commissioners may consider necessary. Sir John Anderson added that this statement of the Commissioners' practice should be regarded as replacing the one made by the late Chancellor on the second reading of the Finance Bill, 1942, which he understood had given rise to some misapprehension.

Professional Civil Servants

Proposals for "Post-War Reconstruction of the Technical Civil Service" have been issued in pamphlet form by the Institution of Professional Civil Servants. The Institution aims at "common salary scales for all professional classes, a high standard of recruitment, and a career value which will attract to the service of the State the best brains in the country." It is pointed out that the first need is for simplification: the Institution's membership of 30,000 includes more than 500 grades. As all professions require a theoretical and practical training lasting roughly over the same period, it is suggested that there is no reason why those who have qualified should not be paid on common scales, which should be on a parity with the remuneration of the administrative class. Three classes are proposed—Principal Class, Executive Class, and Ancillary Class. The Principal Class would be recruited from among those possessing full professional, scientific, or technical qualifications: e.g., a first or second class honours degree in the relevant science, or membership of the appropriate professional body. Within this class there would be two grades, Assistant Principal and Principal, and

their remuneration should be equal to that of the corresponding grades of the Administrative Class—(at present £275-£625 and £800-£1,100). Similarly, the grades in the Executive Class would correspond to the non-technical Executive Officers and Staff and Senior Staff Officers, and the Ancillary Class to the existing Clerical Class. The Institution suggests that there should be a Central Recruiting Board for technical posts, under the aegis of the Civil Service Commissioners. The Board, in co-operation with the universities and professional institutions, would determine standards of recruitment and assess the qualifications of candidates. Actual appointments would then be made by departmental or regional bodies from among those selected by the Central Board.

This is a summary of the policy of the Institution of Professional Civil Servants, and there is a good case for raising the status of civil servants engaged in a professional or technical capacity. Any proposals must necessarily be subject to Treasury review, and to the future policy of H.M. Government in regard to the Civil Service.

Medway District Full Employment Council

The need for giving accountancy expression to the results of its surveys has been recognised by the District Full Employment Council set up some months ago in the Medway towns of Chatham, Rochester, and Gillingham. Comprising representatives of all employing interests, the local authorities, the trade unions, the banks, utility companies, and interested Ministry departments, the Council has wide terms of reference to inquire into all facts and proposals concerning full employment in the area after the war, with particular reference to returning war workers and Service personnel. Of the four specialist committees which the Council has charged with the work of research, three are concerned respectively with production, distribution, and development. The fourth, the Finance and Economics Committee, has been created—with co-opted expert advisers—expressly for the purpose of describing in accountancy statistics the findings of the other committees. The Committee is also empowered to study total wages, salaries, dividends, prices, rates and taxes and other charges in terms of money so far as they concern full employment of the existing means of production and distribution in the locality. Investment in factory and storage space and in means of transport, and material purchase and stocks finance, may also be reviewed. At present the Council is engaged, *inter alia*, in carrying out a consumer survey of the district. To carry out the survey, which is to be made of several thousand sample households, it is hoped to take advantage of the trade union branches organised through the Medway Towns Trades Council. As a check, and to provide additional information, the Council is also considering the circularisation of all retailers with a questionnaire relating to the proportions in which their estimated post-war turnover will be made up. Such information would, of course, be treated entirely confidentially, and only block totals would be published.

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SOCIAL INSURANCE

The Government's White Papers on Social Insurance and Industrial Injury Insurance have been well received—though less vociferously than the Beveridge Report in 1942. The basic principles of universal social insurance have already taken root in the public mind and the social consciousness of the nation accepts them. The Government express their gratitude to Sir William Beveridge for his great work, and indeed the main framework of the present scheme is to be found in his proposals.

The broad principles are insurance against the normal exigencies of life; that all people shall work as long as they are able; the respective benefits to be subject to various minima in contributions; contributions by the insured, by employers (as regards employees) and indirectly by the taxpayers; a uniform system of administration under a Minister; and the elimination of want. The scheme embraces the general social obligation to bear the incidence of unemployment, of industrial accidents, and of children's allowances (to be met from taxation and not from contributions). But whether in practice all insured persons will draw all the benefits to which they may be entitled is another matter. Possibly the claim that the scheme is universal has been somewhat over-emphasised, at any rate as regards the early years, when a good deal of adjustment will be necessary to graft the new scheme to the existing schemes and to bring in people hitherto uninsured.

The main benefits are to meet sickness (involving weekly payments, free medical and hospital treatment), permanent disablement (invalidity), unemployment and retirement, and in addition there are widows' and orphans' pensions, death grants, maternity payments, school meals for children, and payments to meet industrial injury.

Doubtless each individual can find some anomaly relating to his particular case. Absolute equality in all benefits to all persons is in practice impossible and actuarially too costly. But clearly the scheme aims at a proper standard of fairness consistent with what is practicable and seeks to put a check upon abuse. This inevitably involves a system of control and a restriction of choice—part of the price to be paid for large schemes of social amelioration. The

notion that the scheme, coupled with other progressive measures in relation to education, training and employment, may lessen the sense of individual responsibility is not wholly reactionary. On the other hand, it can be held that it is entirely wholesome to provide a greater degree of social security, to promote physical well-being and to reduce impediments to the full development of the individual. Judged by these criteria the scheme may claim general support.

Attention may be called to two points of detail. The position of self-employed persons is not entirely satisfactory. In their case, sickness benefit will not be paid until after the fourth week of illness because (a) the suggested contribution is inadequate for the purpose, (b) considerable administrative difficulties arise. By contrast, an employed person receives sickness benefit after the first three days of illness and if illness extends to four weeks, then payment for the first three days is paid. This follows current practice: but it involves administrative work and assumes a three days' liability for the scheme which might reasonably be borne by the individual.

Retirement pensions are dependent upon retirement from work, subject to earnings in any subsequent week not exceeding twenty shillings, to be intimated through a weekly declaration by the pensioner. Here again is an administrative complication and an only too obvious temptation. With an ageing population, it is wholly salutary that work after 65 (men) or 60 (women) should be encouraged. But it seems a pity that the pension cannot be claimed as of right on the basis of age and contributions, irrespective of earnings. The lifelong comfort of an absolute, as distinct from a conditional, expectation is considerable and may be worth a small addition to contributions or even (though less satisfactory) a small reduction in pensions.

Some anxiety on the question of cost is hardly surprising—estimated at £650 million for the first year (of which £352 million will fall on taxes or rates), rising in 1975 to £831 million. Albeit these figures are dwarfed beside the staggering cost of the War, they command reflection.

In an interesting article in the *Spectator*, Mr. W. Manning Dacey argues that, given full employment, increased efficiency in production, and a new source of revenue in place of E.P.T., the national income will be able to stand the charge without inflation and with but little effect on the cost of exports, and consistently with a general reduction of taxation by about one-fifth. From the contributor's standpoint, the material question is "How much will £1 purchase?" Even accepting Mr. Dacey's view, the taxpayer can hardly feel comforted. But his standards have been ruthlessly changed and the scheme aims at priority to national well-being over the cost in terms of pounds.

At the same time it may be observed that the process of redistribution of the national income, if carried too far, may lead to the danger of a diminution in the size of the national income itself.

Valuation of Stock-in-Trade

[CONTRIBUTED]

Reference has previously been made in these columns to the growing emphasis which Inspectors of Taxes, obviously acting under instructions, are placing on the contention that stock-in-trade is to be valued either wholly at cost price or wholly at market value. It is evident that more will be heard of this in the near future, as we hear of the point being raised all over the country, and business men are complaining against what most of them regard as a bureaucratic attempt to change an established custom which goes back beyond living memory and is, therefore, probably a principle that has existed from the beginning of account keeping. We see no reason to differ from the opinions put forward that the majority of, if not all, traders regard the principle of "cost or market value, whichever is the lower," as one to be applied to each item or group of items of their stock.

The purpose of the Revenue campaign is not apparent. Presumably they have had cases in which the point will make a considerable difference for E.P.T. purposes, though, we should have thought that in recent years, cost price has been almost universal; we cannot imagine that they are at all concerned for income tax purposes, where consistency in valuation appears to be more important than which of the two methods is applied. Moreover, if experience of E.P.D. is any criterion, it is likely that E.P.T. will be "tidied up" by a final stock adjustment, for which special rules will no doubt be laid down. It might be said, in answer to the above statement, that the taxpayer equally should not worry which method is adopted. There we disagree, for two reasons, viz. (1) the objection to interference with established and reasonable business methods, and (2) the possible anticipation of profits, owing to a known fall in value of certain items being offset by rises in others.

In *Craddock v. Zevo Finance Co.* (1943, 22 A.T.C. 69), MacNaghten J. stated that the question of the value of stock-in-trade is one of fact, and it is, therefore, doubtful if any appeal could ever succeed in a court of law on the point. That means that traders in different parts of the country may find themselves being differently treated owing to there being no consistency between the various bodies of General Commissioners.

It has been stated many times by the courts that, subject to the statutes, the way profits are computed is a matter for business men. In the case of stock-in-trade, the Acts are silent, and it appears to be a gratuitous act on the part of the Revenue to attempt to change the practice of business men. It would help if they would give their reasons.

Obiter Dicta

In support of our statement, we reproduce below certain *obiter dicta* :—

"Profits and gains must be ascertained on ordinary principles of commercial trading."—(Lord Halsbury in *Gresham Life Assurance Society v. Styles* (1892, 6 T.C. 436).

"The proper way of ascertaining the profits and gains is by the ordinary business methods, whereby those profits and gains would be ordinarily determined by business men."—(Lord Hanworth, M.R., in *Worsley Brewery Co. v. C.I.R.* (1932, 17 T.C. 356).

"In computing the balance of profits or gains for the purposes of income tax, or for the purposes of excess profits duty, two general and fundamental commonplaces have always to be kept in mind. In the first place, the profits of any particular year or accounting period must be taken to consist of the difference between the *receipts from the trade or business during such year or accounting period and the *expenditure laid out to earn those receipts. In the second place, the account of profit and loss to be made up for the purpose of ascertaining that difference must be framed consistently with the ordinary principles of commercial accounting, so far as applicable, and in conformity with the rules (of the Acts). For example, the ordinary principles of commercial accounting require that . . . the values of the stock-in-trade at the beginning and at the end of the period covered by the account should be entered at cost or market price, whichever is the lower; although there is nothing about this in the taxing statutes." (Lord President in *Whimster & Co. v. C.I.R.*, 1925, 12 T.C. 823).

"It is a general principle . . . that those elements of profit or gain, and those only, enter into the computation which are earned or ascertained in the year . . . and, in like manner, only those elements of loss or expense enter into the computation which are suffered or incurred during that year." (Lord President in *Edward Collins & Sons v. C.I.R.*, 1924, 12 T.C. 780).

"It is common ground . . . that if the goods here in question (goods for future delivery) had been taken into stock and had at the end of the accounting period fallen in value, allowance for this loss would have been made in estimating the profits of the year, although the loss was not a realised one in money, and its ultimate amount might be uncertain." (Lord Sands, *ibid* at p. 784).

"Under (Revenue) law the profits are the profits realised in the course of the year. What seems an exception is recognised where a trader purchased and still holds goods or stocks which have fallen in value. No loss has been realised. Loss may not occur. Nevertheless, at the close of the year he is permitted to treat these goods or stocks as of their market value." (Moore, L.C.J., in *C.I.R. v. Barrie*, K.B.D., Northern Ireland, 1928, 12 T.C. 1231). "(The) cases seem to me to establish the principle that a trading loss must be accounted for in the year in which it is made or incurred—not necessarily paid . . ." (*ibid*, p. 1240).

*In *Glamorgan Coal Co. v. C.I.R.* (1926, 12 T.C. 1028), Rowlatt, J., amplified these terms by saying: "Receipts include debts due and . . . goods in stock. Expenditure includes debts payable. . . ."

It is apposite to note that in *Brigg Neumann & Co. v. C.I.R.* (1928, 12 T.C. 1191) it was held that where defects in goods had not been discovered at the balance sheet date, the goods were properly valued at market value (i.e. the price at which the company could purchase the goods in the market), that being less than actual cost price. Defects discovered after the balance sheet date did not affect the valuation; and where it was known that defects discovered before that date would entitle the company to recover the cost, the amount recoverable must be included so as to bring the market value up to cost.

Neither the *Barrie* nor the *Brigg Neumann* case seems to support the Revenue's contention.

Commercial Principles

The following table illustrates the position:—

Item	Actual Cost	Market Value	Lower of Cost or Market Value
			Market Value
1 ...	£10	£12	£10
2 ...	10	7	7
3 ...	20	25	20
4 ...	20	18	18
5 ...	15	12	12
6 ...	15	13	13
	90	87	80

The Revenue contention is that the stock must be brought in at £87, whereas the ordinary commercial method would bring it in at £80. It will be seen that the Revenue method would bring in the unrealised profit on items 1 and 3, which is not sound accountancy. Profits must not be taken in advance of realisation, but where it is proved, by a fall in values, that buying has not been on a sound estimate of the trend of the market, the loss, which is known, must be provided for by the appropriate deduction in the inventory valuation.

Mr. F. R. M. de Paula, who is recognised as an authority and has influenced the presentation of accounts more than any other individual, in his "Principles of Auditing" (9th edition, p. 101) states: "A basic principle is that profit should be taken to credit only when goods are sold and, therefore, on no account should inventories be valued, for balance sheet purposes, above cost. On the other hand, an accepted and wise principle is that any possible or probable losses in connection with unsold goods should be anticipated by writing down their values to figures at which it is estimated that such inventories will, in fact, be realised during succeeding periods ... (less) estimated costs of selling and distribution." And at p. 104: "Accountants cannot dictate to the business world the exact bases of inventory valuation."

We draw particular attention to the last sentence, and if accountants cannot dictate, how much less should the Revenue do so, provided always that everything is *bona fide*? Yet we have seen a letter from an Inspector of Taxes to an accountant which states: "I shall be glad if you will arrange for future valuations to be on the correct basis," referring to the new Revenue contention.

It is not without significance that in the pamphlet on "Farm Book-keeping," compiled by the Revenue

in conjunction with the Ministry of Agriculture, the Revenue method is laid down. Conversations with representative farmers show that they do not agree, and arguments have already arisen in such cases and are likely to increase. We fail to see any justification for a valuation of two bulls, each costing £200, one of which is now worth £50 and the other £300, as £350. There is a known loss on the one; an unrealised (and probably unrealisable) profit on the other, and they should be valued at £250, the cost of the one and the lower market value of the other.

Consistency

An important point arises where there is a change in the basis of valuation, viz., that a change in the closing valuation ought to be accompanied by a corresponding change in the opening valuation. In this connection, reference may be made to *The Commissioner of Income Tax, Bombay Presidency v. Ahmedabad New Cotton Mills Co.* (1929, 8 A.T.C. 575), although, being a Privy Council case, it is not binding for United Kingdom taxation. Lord Buckmaster: "The question ... is in the following terms: 'When the opening and closing stocks ... are both undervalued, whether the real profits ... can be ascertained by merely raising the valuation of the closing stock, not taking into consideration the similar undervaluation of the opening stock?' and the answer is that ... they cannot. The method of introducing stock into each side of a profit and loss account ... is a method well understood in commercial circles and does not necessarily depend upon exact trade valuations being given to each article of stock that is so introduced. The one thing that is essential is that there should be a definite method of valuation adopted which should be carried through from year to year, so that in case of any deviation from strict market values in the entry of the stock at the close of one year, it will be rectified by the accounts in the next year ... in these circumstances to contend that there should be undervaluation at one end and not at the other end is to raise an argument that their Lordships cannot accept."

Although not entirely relevant, it is not without significance that in *Charente Steamship Co. v. Wilmot* (1941, 22 A.T.C. 273), the Courts refused to accept the Revenue contention that for the purposes of the obsolescence allowance, regard must be had to the net result of the replacement of all plant replaced during the year.

Even under the Revenue method, we cannot imagine that all items would be required to be on the one basis, e.g. raw materials and manufactured stock might be valued one on market and the other on cost price, or that obsolete goods could not be valued separately. Nevertheless, we fail to see the merit of attempting to dictate to business men a departure from established practice.

In this article, we act as the mouthpiece of the taxpayer, and shall welcome any contribution that sets out a contrary view; we are open to conviction. It is, however, evident that a considerable body of business men and their advisers are disturbed by the present position.

What is the Balance of Payments?

By PAUL BAREAU

The prospective balance of payments of this country dominates the discussion of most of our post-war economic problems. It underlies much of the debate for or against our adherence to an international monetary system such as that sketched out at Bretton Woods. It influences much of the discussion on what this country will be able to "afford" after the war. Statisticians have foretold a prospective gap of between £400,000,000 and £500,000,000 in our post-war "balance." The President of the Board of Trade has recently said that the aim of the Government was to raise exports by 50 per cent. in volume over their pre-war level. The gist of expert and official comment on the situation is that this country must "export more or die." The force of this plea, and of the need for greater diversion of labour and materials to export trade, will not sink into a sufficient number of heads without a simpler exposition of what is meant by the balance of payments than is generally given in the expert discussions of the problem. Given the vital importance of the subject, there is every excuse for restating the problem of the balance of payments in its simplest and most elementary form, and then applying that statement to the specific problem of the British balance of payments.

The balance of payments of a country is the statement of its transactions, involving all payments crossing its boundaries. It is the account of all transactions which over a given period of time involve the placing of a country's currency at the disposal of residents outside the country and, conversely, of all transactions that involve a demand for the country's currency from other countries. On the credit side of the account will appear all operations which involve payments from other countries, and on the debit side all transactions for which payments have to be made to other countries. The position is sometimes confused by the fact that the unit from the balance of payments point of view is not necessarily the unit from the currency point of view. The problem that concerns us in this country is the balance of payments of the United Kingdom—not that of the area within which a freely convertible sterling currency circulates. Though British and South African pounds are freely convertible, the Union of South Africa is as much an external participant in the British balance of payments as is the United States.

The various items that make up the balance of international payments of any country fall into three categories: current transactions, gold movements, and capital transactions.

Current Items

Current transactions are those that enter into the normal day-to-day stream of payments between various countries, and that are settled by cash payments. The most important category of such current transactions is merchandise trade. Exports are a credit, since they are paid for by the buyers in the importing countries and therefore involve an

external demand for the country's currency. Conversely, imports have to be paid for outside the country and are, therefore, a debit item. These merchandise transactions are generally referred to as the visible items in the balance of payments, because visible goods underlie them, and they can be correctly valued and entered as they pass a country's customs frontier.

There follow a various range of current items of the "invisible" category. Receipts from and payments for shipping services are a typical example of these transactions, for which no specific "visible" material changes hands. Tourist expenditure is another invisible item which, in most countries, will appear on each side of the account—though for the United States, for example, the balance will be strongly on the debit side, and for Switzerland on the credit side. Personal remittances are another important invisible item for certain countries. They consist mainly of emigrants' remittances to their country of origin. In the United States they have, in the past, constituted an important debit item, while for countries such as Italy and Poland they have been correspondingly important credit items. Interest and dividend receipts and payments are the next important item in the invisible group. For a country such as the United Kingdom, the interest on overseas investments provided an important credit item up to the beginning of this war. For debtor countries such as Australia, the interest on overseas Government and private debt constitutes a heavy annual drain for which the balance of payments has to make provision. Among these invisible items, Government transactions such as diplomatic remittances, grants, etc., may at times attain substantial dimensions.

Gold and Capital Transactions

Gold movements deserve a category of their own. Except in the case of gold-producing countries, they cannot be regarded as normal merchandise trade. Under gold standard conditions, and even under monetary arrangements in which the currency is not rigidly linked to gold, but where the metal is maintained as an external reserve, the movements of gold take place as a result of disequilibrium in the balance of payments on current account. They are a corrective and an ultimate adjusting factor and not a part of the current trade of a country.

Capital transactions are in a category apart. There are many variations of such transactions. Long-term capital movements can occur through changes in a country's assets abroad, or through changes in foreign assets held in the country in question. The same holds true of short-term capital such as banking funds. An outflow of capital, whether it occurs through the acquisition of assets abroad, or through a repatriation of foreign capital previously invested in the country, must be entered as a debit item in the country's balance of payments, while an inflow of capital is a credit item.

The Account Must Balance

If a comprehensive enough view of the balance of payments be taken, it will be evident that it must balance. On any one day the account for each country must balance if we include in this account every category of item mentioned above. If there is a deficit on current account for that day, it will be immediately apparent in the foreign exchange market, where it may lead to a depreciation of the "deficit" currency until equilibrium is re-established—probably through the readiness of banks and other dealers to hold the deficit country's currency, *ie.*, by making that country a short-term loan. If all capital and current transactions are taken into consideration, the balance of payments must balance—whatever be the period chosen for the account. The only occasion on which disequilibrium can be said to occur is when a country defaults on its external obligations.

To take this all-inclusive view of the balance of payments is to reduce the problem to the trite observation that a balance must always balance. What is normally meant by the balance of payments problem refers to that part of it which derives from current transactions. When we speak of "paying our way" we mean covering by exports and invisible credit items the amounts due for imports and other debits, without having to encroach on reserves of foreign assets or accumulating debts abroad.

The Pre-War Figures

This is how the United Kingdom's balance of international payments appeared in the last two pre-war years, and in 1929, the last year when a substantial credit balance was claimed on current account.

	In million £'s		
	1929	1937	1938
Imports	1,229	1,048	939
Exports	848	606	562
Excess of Imports ...	381	442	377
Excess of Government payments overseas ...	24	—4	—13
Net Shipping Income ...	130	130	100
Net Income from Overseas Investments	250	210	200
Insurance Commissions and other invisible receipts	80	50	35
Total	484	386	322
Balance	+103	—56	—55

These estimates, it will be seen, are not given in accordance with the detailed classification indicated above. Great Britain in this matter falls very far behind the United States and many other countries whose balance of payments estimates are much more elaborate and painstaking than our own rather haphazard efforts. Nevertheless, the figures given above tell a story whose import cannot be missed. In 1929 we balanced our account of current international payments with a surplus of £103,000,000 which, in the main, enabled us to increase our overseas investments. The new overseas capital issues on the London market in that year amounted to £94,000,000. In the two immediate pre-war years we failed to balance our current payments with other countries by

£56,000,000 and £55,000,000. The cause of this deterioration was a reduction in our "invisible" receipts, notably those from overseas investments, shipping income, and commissions earned abroad. The deficits were covered by drafts on our external reserves, which then were still substantial.

Future Prospects

In assessing the post-war position, the first thing to bear in mind is that our readily mobilisable reserves will have been considerably reduced during the war. We shall have lost the greater part of our gold reserves. Of our overseas investments, which were estimated at £3,700,000,000 before the war, some £1,000,000,000 has been sold or repatriated. This £1,000,000,000 includes the most marketable part of these assets. A substantial part of the unsold balance is virtually frozen, or its value is highly questionable—for example, investments in Far Eastern tin and rubber companies). It follows that after the war we shall not have the cushion of reserves on which to take the impact of deficit in our balance of current international payments.

The next factor to take into consideration is the effect of war-time changes on our sources of invisible income. Our net shipping income is likely to be well below the 1938 level for some years after the war. The heavy reduction in our merchant marine, and the enormous expansion in the American mercantile fleet will see to that. With nearly one-third of our overseas investments liquidated, and with an accumulation of debts to other countries which will amount to £3,000,000,000 by the end of this year, our net income from overseas investment will have undergone a severe compression. Even if we allow for the fact that this war-time sterling debt carries low interest, and that it will be funded cheaply after the war, provision must be made for yearly capital repayments which may well balance what remains of our net income from overseas investments. Commissions will also suffer an inevitable decline. Since these represent largely the earnings of our merchants and bankers on foreign trade, some of which never touched this country, they are certain to fall drastically if bilateralism, barter trade, and Government bulk purchases become the order of the post-war day.

Allowing for all these changes, it seems that a gap of some £450,000,000 in our current balance of payments will have to be filled—taking the 1938 figures as our point of departure. That gap could be filled by a 50 per cent. increase in the volume (not the value) of our 1938 exports. The task is not so formidable as might at first sight appear. If we can restore the volume of exports to their 1929 level, the greater part of the gap will have been bridged. Nevertheless, it is a tremendous challenge to British industry. Unless that challenge is successfully met, all our ambitious plans for social security, full employment, and a rising standard of living will be gravely undermined.

The Board of Trade have appointed Mr. H. P. Naunton, D.S.O., to be Senior Official Receiver in the Companies (Winding-up) Department, with effect from June 19, 1944, in the place of Mr. J. Barwick Thompson, O.B.E., retired.

TAXATION**U.S.A. Taxation****Depreciation and Obsolescence**

We have received a copy of "Bulletin 'F'" issued by the U.S.A. Treasury Department—Bureau of Internal Revenue—dealing with "Income Tax Depreciation and Obsolescence, Estimated Useful Lives and Depreciation Rates." This is a most interesting publication, and, as the foreword states, "it contains information and statistical data relating to the determination of deductions for depreciation and obsolescence, from which taxpayers and their counsel may obtain the best available indication of Bureau practice and the trend and tendency of official opinion in the administration of pertinent provisions of the Internal Revenue Code and corresponding or similar provisions of prior Revenue Acts. It does not have the force and effect of a Treasury decision and does not commit the Department to any interpretation of the law. . . ."

The statistical data are based on averages and are not prescribed for use in any particular case, but are set forth "solely as a guide or starting point from which correct rates may be determined in the light of the experience of the property under consideration and all other pertinent evidence."

The words quoted above will strike a chord in the minds of readers who have had dealings with our own Board of Inland Revenue.

The Introduction discusses depreciation, defining it as: a reasonable allowance for the exhaustion, wear and tear of property used in the trade or business, including a reasonable allowance for obsolescence; obsolescence as the process of becoming obsolete due to progress of the arts and sciences, changed economic conditions, legislation, or otherwise, which ultimately results in the retirement or other disposition of property.

The basis for allowance is then explained, the annual deduction being based on the expected useful life of the asset. A distinction is drawn between normal obsolescence (which can be anticipated with substantially the same degree of accuracy as other ordinary depreciation factors) and extraordinary or special obsolescence that can rarely be predicted prior to its occurrence. Deductions for the latter can be taken over the period beginning with the time it is apparent. It cannot be applied to a portion of property nor allowed retrospectively. Fluctuation in value is ignored.

The allowance for depreciation may be calculated by the straight line method or in accordance with any other recognised trade practice, and the unit of production and declining balance methods are described. Alternatively, "retirement accounting" may be adopted, i.e., the cost (less net salvage) is charged to revenue as the assets are scrapped.

The method of accounting is indicated, and may comprise composite accounts, classified accounts (e.g.,

buildings, machinery, and equipment, office furniture and fixtures, transportation equipment), group accounts, or item accounts. Repairs to keep the property in an efficient operating condition are allowed as expenses as incurred. As a practical matter, small replacements which cause no substantial improvement are allowed, but "betterments" must be capitalised. Losses resulting from casualty are allowed as incurred.

The rate of depreciation is based on the prospective useful life of the property when acquired, the particular conditions under which it is used and the accounting policy as to repairs, maintenance, replacements, etc. Then follow schedules of average useful lives for new properties, which are a guide only, subject to variation for the above factors. For agriculture, the list even includes animals, cesspools, fences, trees, etc. Amusement parks, barbers' shops and beauty parlours, buildings, cemeteries, fishing, mortuary services (including draperies, greenhouses, organs, retats, etc.), office equipment (including safes, etc.), photographers, professional equipment (including libraries), sand, gravel and stone (quarries and marine), are all included in the voluminous lists of businesses, with itemised lists of assets.

Appendices provide the basis of allowance for property acquired, *inter alia*, by gift, transfer in trust, devaluation, exchange, reorganisation, for shares, etc., involuntary conversion (e.g., destruction by fire resulting in a profit on insurance money), and liquidation.

Land itself is not subject to depreciation, but the improvements thereon, e.g., buildings, are; and there is an allowance for the exhaustion of property used in the mining of deposits.

Farmers are allowed depreciation of livestock purchased for draft, dairy or breeding purposes, unless they are included in an inventory used to determine profits. Allowance is given in the case of orchards. Patents, etc., rank for the relief. It is evident that we have a long way to go to catch up on the relief given in the U.S.A. On the other hand, our brothers there are taxed on many items that are regarded as capital profits here.

WAR DAMAGE**Private Chattels Scheme**

Claims for war damage to personal and household goods should ordinarily be made within 30 days of the damage, but it is realised that there may in some cases be difficulty at present in complying strictly with this requirement. If, in such cases, the claim is received within three months of the damage, no separate application for extension of time is necessary. The claimant should, however, state the reason for the delay either on the claim form or in an accompanying letter.

Taxation Notes

P.A.Y.E.

A taxpayer without dependants, unversed in income tax rules, is somewhat nonplussed to receive a rise in wages that means a smaller pay-packet in alternate weeks. Yet this is the effect in the case of those within the marginal charge, *i.e.*, income only slightly over £110. As an example, a taxpayer with an income of £2 5s. a week has 2s. a week deducted, with an additional 1s. in the 52nd week. If he receives an increase of 2s. 6d. a week, say from the 13th week, his tax will be increased by 4s. in alternate weeks, *i.e.*, it will be 2s. one week, 6s. the next, with an occasional adjustment. If in the 27th week he receives a further 2s. 6d. a week rise, his deduction will be 4s. a week thereafter.

The inconsistency in the deduction in the 13th to 26th weeks arises through (1) the tables being in 5s. stages, so that in one week there is no provision for the increase in the aggregate wage, in the next there is a 5s. increase, and (2) tax being payable at 15s. in the £ owing to marginal relief.

Looked at in total, the pay has been :

Weeks at	With Increase	Tax	With no Increase	Tax
12 £2 5 0	£27 0 0	£1 4 0	£27 0 0	£1 4 0
14 2 7 6	33 5 6	2 12 0	31 10 0	1 8 0
26 2 10 0	65 0 0	5 4 0	58 10 0	2 13 0
	£125 5 6	£9 0 0	£117 0 0	£5 5 0

The increase in the 14 weeks of £1 15s. 6d. cost £1 4s. in additional tax, that in the last 26 weeks of £6 10s. (over the original pay) £2 11s. in tax; and the second increase did not increase the rate of tax deduction proportionately, owing to taking the case out of marginal relief.

The explanation of the anomaly is taking place in many pay offices, and it would be a helpful step if the tables were graduated in 2s. 6d. stages in the marginal sphere. Workers may begin to look at net and not gross wages in negotiations.

Work in Progress

For income tax purposes, the work in progress is normally valued at prime cost plus a percentage for overhead expenses. There are some cases, however, where prime cost has consistently been the basis. On a change-over, the opening work in progress should be adjusted on the same basis. For E.P.T., of course, the position is different; the work in progress must include the proportion of the estimated profit on the contract, etc., that the work done in the period bears to the total work.

Succession

The date of succession is a question of fact, but strong evidence will always be necessary to substantiate a date earlier than the date of the contract of sale. It may be possible to found a date on correspondence, but only if the correspondence constitutes a contract. There may, however, be a *de facto* succession, the contract being merely a later formality (*cf. Jones Bros. v. Todd* (1930), 15 T.C. 396). By concession, the Revenue will usually treat the date of the agreement as the date of change where there is unavoidable delay in completion of the contract, but not otherwise. The date of a company's succession cannot be earlier than the date of incorporation, as it did not exist prior thereto. Where

the vendor gives an indemnity against all liabilities up to completion of purchase, the indemnity includes income tax (*United Kingdom Advertising Co. v. Whiting* (1932)). Any profits to the date adopted are assessable on the vendor, and if the company pays a dividend thereout, the dividend is not assessable to sur-tax, as that would be double taxation (*C.I.R. v. Roberts* (1925), 9 T.C. 603).

Cash Basis

In those cases where assessments are on a cash basis, attempts are sometimes made to bring into the closing account the debts still to be collected. This is wrong; the profits have been covered by the assessments, and the debts are simply assets to be collected (*Bennett v. Ogston* (1930), 15 T.C. at p. 378). An exception arises where an agreement was made to include such debts when the cash basis was first adopted.

War Damage Insurance

Arising out of our note in the October issue regarding insurance of a farmer's crops, a reader has drawn our attention to an analogous case, that of estate developers who have let houses on hand, which are, of course, trading stock. The profit on sale will be assessable. Our reader asks if there is any way in which the War Damage Contribution can be allowed as an expense. He knows of none, nor do we. The War Damage Act, 1943, is explicit; all payments are capital.

In considering these cases, it is well to bear in mind that with E.P.T. at 100 per cent., and income tax at 10s. in the £, the State would bear all or a moiety of the payment if it were allowed as an expense. That, however, does not alleviate the hardship where the proceeds have to be brought in as taxable.

E.P.T. POST-WAR CREDITS

In the House of Commons, on October 12, Major Proctor asked the Chancellor of the Exchequer (1) if he is aware of the uncertainty of business people as to the precise meaning of the Government's statements regarding the rebate from Excess Profits Tax payments, particularly in regard to the use to which these repayments may be put; and if he can now state the approximate date when this money will be available for use; (2) whether the repayments to manufacturers from the Excess Profits Tax can be used to purchase new machinery for extension of business as well as for the purchase of new machinery for replacement purposes.

Sir John Anderson: I would refer my hon. and gallant Friend to the provisions of Section 37 of the Finance Act, 1942, from which he will see that while the date of the payment of the Excess Profits Tax post-war credit has to be prescribed by Parliament, the only conditions governing the payment will be conditions relating to distribution for benefit of shareholders. The purpose of this section was to remove any doubts of the kind referred to in the question, and as stated in my Budget speech it is now quite clear that all trading concerns can look forward with certainty to their post-war Excess Profits Tax credits being available to cover all post-war capital expenditure, including expenditure on rehabilitation, reconstruction and development. This covers, of course, the purchase of new machinery for extension as well as for replacement.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

Excess Profits Tax—Capital computation—Inter-company debt—Company's standard profit based on 1935 and 1937—Company subsidiary until end of 1936 with large debt owing to principal company—Debt repaid January, 1937, on ceasing to be subsidiary—Whether debt due to principal company in standard period deductible in computing standard capital—Finance (No. 2) Act, 1939, Section 17 (1).

C.I.R. v. Trinidad Petroleum Development Co., Ltd. (C.A., May 4, 1944, T.R. 147) was noted in our issue of March, 1944. In the King's Bench Division, Macnaghten, J., had held that the City Commissioners were right in deciding that the sub-section referred to had no application to a company which was an independent company during the chargeable accounting period. In the Court of Appeal this decision against the Crown was unanimously reversed. Scott, L.J., pointed out that the language of the sub-section was perfectly general, and on the plain language must be held to apply not only to a company which was subsidiary in both periods, but also to one that was subsidiary only in the standard period. He agreed with Goddard, L.J., in holding that this conclusion was supported by the fact that when Sub-sections (3) and (5) of Section 17 were replaced by the elaborate system of the 1940 Act, sub-section (1) was left untouched. Parcq, L.J., agreed with both judgments.

Leave was given to appeal to the Lords.

Sur-tax—Irrevocable settlement of £500 in favour of daughter if and when she should attain 25 years—Power to apply income for maintenance and benefit in meantime—Similar settlements on two other daughters—Trustees given wide powers of investment—Funds invested in shares of private company controlled by settlor—£7,000 shares of £1 bought at par in each case, £6,500 being advanced by settlor—Company using funds so obtained to acquire shares in second company controlled by settlor—Dividends received by trustees applied in repaying loans made by settlor—Whether income payable to settlor in any circumstances—F.A., 1936, Section 21—F.A., 1938, Section 38.

In *Jenkins v. C.I.R.* (K.B.D., May 9, 1944, T.R. 151) there were assessments for two years, 1936-7 and 1937-8. So far as 1936-7 was concerned, Section 21 of F.A., 1936, has no application to irrevocable settlements, but it was contended that as the appellant, the settlor, could wind up the companies, the whole of the trust fund would, on the facts of the case, disappear, and the settlements would, therefore, be revoked. Macnaghten, J., however, held that the disappearance of the trust fund did not revoke the settlements, and, therefore, the 1936-7 assessments fell to be discharged. He held, however, that for 1937-8 they were caught by Section 38 of F.A., 1938, because the whole of the dividends received by the trustees were passed back to the settlor in reduction of his loans, and he was, therefore, a person having "an interest in income arising under or property comprised in a settlement" within sub-section (4).

Sur-tax—Settlement—Investment company—Settlor not a member, but governing director for life with very wide powers—Company controlled by second investment company

—Settlor governing director of and possessing voting control of second company—Irrevocable settlement in favour of one or more of five persons, settlor's wife and four children, as trustees in absolute discretion should think fit—Settlor a trustee with power to remove other trustees at pleasure—Settlement fund consisting of shares of second company—Whether, as result of scheme, within power of settlor to secure that income of first company should be applied for the benefit of himself or his wife—Whether apportionment of whole income of first company to settlor correct—F.A., 1922, Section 21; F.A., 1939, Sections 14, 15.

Chamberlain and Talbot Investment Company v. C.I.R. (K.B.D., May 11, 1944, T.R. 159) was a case in which Mr. A. G. Chamberlain, who had won a victory over the Revenue in the House of Lords in *Chamberlain v. C.I.R.*, (1943, T.R. 161) was again challenging a decision against him by the Special Commissioners. His victory was previously as regards the effect of Section 38 of F.A., 1938; but, this time, the provisions of Sections 14 and 15 of F.A., 1939, were in question. The scheme of avoidance was too elaborate to justify its being set out in full here; but the Special Commissioners decided that it had failed, and Macnaghten, J., upheld their decision.

Sur-tax—Undistributed income of company—Business of dealing in stocks and shares—Interest and dividends received from stocks and shares acquired in course of business—Loss on business after excluding such dividends and interest—Loss on business if dividends and interest included—Whether company an investment company within Section 20 (1) of F.A., 1936—Income Tax Act, 1918, Section 14 (3), Section 34—Finance Act, 1922, Section 21—Finance Act, 1936, Section 20 (1).

The case of *F.P.H. Finance Trust, Ltd. v. C.I.R.* (House of Lords, May 19, 1944, T.R. 181) was noted in our issues of October, 1942, and July, 1943. In the House of Lords the decision of the Special Commissioners, upheld in the lower Courts, was reversed by a majority, the Lord Chancellor, Lords Maugham, Atkin and Porter agreeing, and Lord Russell of Killowen dissenting. The decision, in effect, was that, in considering whether a company is an "investment company" within Section 20 (1) of F.A., 1936, i.e., one

"the income whereof consists mainly of investment income, that is to say, income which, if the company were an individual, would not be earned income as defined in sub-section (3) of Section 14 of the Income Tax Act, 1918,"

the first test was whether the company had any income at all; and that, for this purpose, the total income from all sources had to be taken into account. Here the company had no net income because its trading losses exceeded the investment income.

In the present writer's note upon the K.B.D. decision, printed in our October, 1942, issue, and referred to in his note upon the Court of Appeal judgment, he suggested that an important factor was whether the investment income of the company arose from "dealing stocks" or "investment stocks"; and a note of explanation may not be out of place. Many of these finance companies dealing in stocks and shares have subsidiary companies doing specialised business of similar character. Any dividends or interest received from such subsidiaries

are clearly in a different category from other interest and dividends, and difficult to bring within the definition of "earned income." Subject to this, any interest and dividends received as incidental to the business of dealing in stocks and shares, whether received gross or less tax, are, in the writer's opinion, not "income" any more than fees paid to a doctor or lawyer are "income." They are merely gross trading or professional receipts. As regards this contention in one of its aspects, Lord Atkin in his judgment said:

"Mr. Tucker, for the appellants, sought to raise before this House, for the first time, the point that the whole of the investment income was in fact earned income, as it was the direct result of the trading operations of the company, who in the course of their trading bought and paid for the very dividends which are sought to be contrasted with the earned profits. It was obvious that such a point required an examination of the facts of the trading, which the Special Commissioners were never invited to make; and that the point was made too late. I express no opinion about it, except to say that in deciding the first point, I have found it difficult to eliminate from consideration, though I think I have succeeded, the very obvious fact that much of this so-called investment income must in fact be the product of trading, bought and paid for in the course of trade. On such an issue it would seem difficult to distinguish between the purchase of a share cum dividend and the purchase of a cow in calf. However, the effect of such considerations on this section must remain open."

Lord Atkin's observations were, in the circumstances, *obiter*; but they were by a great judge, and it remains to be seen whether the Revenue will now give up a logically untenable attitude without taking the matter to the Courts. If they do, or if the point is decided against them, the ultimate repercussions will be very wide indeed.

Income Tax—Builder—Financing of sales by building societies—Balance of sale price secured by second mortgage to builder—Interest on outstanding balance at commercial rate—Repayment of amount due to builder for capital and interest by equal monthly payments over a long period of years—Whether trading receipt or trade debt—Method of valuation.

In the case of *Absolom v. Talbot* (House of Lords, May 19, 1944, T.R. 195), apart from the immediate issue, there was a general question of much greater importance, namely, whether in view of the decision by the Privy Council in *Gleaner Co., Ltd. v. Assessment Committee (Jamaica)* (1922, 2 A.C. 169), the Revenue practice as to the treatment of trade debts, which ignored that decision, was not constitutionally improper. The Court of Appeal had expressed strong views upon the validity of the Revenue practice and the position was discussed in a special article in our issue of October, 1943. In the House of Lords there was a marked divergence of judicial opinion, and the decision was by a majority, Lords Atkin, Thankerton, and Russell being in favour of reversing the Court of Appeal decision, which was in favour of the Crown, whilst the Lord Chancellor and Lord Porter were for affirming it.

The immediate issue will be best understood by the example embodied in the Lord Chancellor's judgment. In March, 1933, Mr. Absolom, the appellant, sold to one James Mayhew the fee simple of a house on a building estate which the appellant was developing. The price of £425 was provided by a cash deposit of £40 made by Mayhew; by £320 paid by a building society which took

a first mortgage; whilst the balance of £65 was provided by a loan from the appellant on second mortgage under which Mayhew covenanted to pay the appellant the £65 with interest at 5½ per cent. per annum by equal monthly payments of 8s. 2d. There were the usual provisions in case of default. An important further point was that the appellant retired from business as a speculative builder upon December 31, 1937, whilst the instalments under the second mortgage would extend over a total period of about 22 years.

The majority held that the marginal amounts secured by second mortgage should be brought in not at face value, but at valuation determined in the light of experience. But the principal judgments not only deserve careful study, but will, no doubt be extensively quoted in the future. Although the decision was against the Crown, the latter would seem to have won on balance, because, upon the most important issue, whether the *Gleaner* judgment was correct and the Revenue practice therefore invalid, the majority of their Lordships declared that there was statutory warrant for the practice, and that the judgment should not be followed. All of them, according to Lord Atkin, were, however, agreed that Rule 3 (i) to Cases I and II of Schedule D would not bear the Crown's construction of it to the effect that all trade debts must be brought in at face value subject to the deductions permitted by the rules.

Reverting to the details of the case, the main difference between the conclusions of the Lord Chancellor and Lord Atkin would seem to have been a simple one of fact. The former held that the £65 was to be brought in at face value because it carried "a commercial rate of interest." But if the rate is to deserve this description, it must represent, as a minimum, consideration for the use of the money and adequate insurance against the risk of loss. From the facts of the case, and it is the basis of Lord Atkin's judgment, it is clear that 5½ per cent. per annum was not a "commercial rate" in the circumstances, because, by the evidence, it had been shown that over 20 per cent. of the moneys covenanted to be paid had proved irrecoverable. Had the interest stipulated for been, say, 10 per cent. per annum, and clearly intended to cover adequately the average risk of capital loss, the case would have been upon a different footing.

The decision leaves open the question of what is to be done in cases of cessation where the valuation prescribed proves either inadequate or excessive.

Income Tax and N.D.C.—U.K. company assessed Case I to include untaxed dividends—Dividends from American company not trading in U.K.—American company in receipt of large taxed dividends from U.K. companies—Whether dividends received from American company includible in full for Case I assessment without Gilbertson v. Fergusson adjustment—Whether allowance due for N.D.C. on ground that said dividends included income received "directly or indirectly" from body corporate subject to N.D.C.—F.A., 1937, Schedule IV, para. 7.

Selection Trust, Ltd. v. C.I.R. (C.A., May 24, 1944, T.R. 235) was noted in our March, 1944, issue. In the Court of Appeal the judgment of Macnaghten, J., was unanimously affirmed. (As the judgments made no mention of N.D.C., it would seem that the Revenue had acquiesced in the decision against them in respect of that tax.) The same Court had decided the *Canadian Eagle Oil Company* case upon the same day, and the decision in that case was held to apply. Goddard, L.J., whilst agreeing that the appeal should be dismissed, disagreed upon one point. He said that, so long as

Gilbertson v. Fergusson was not expressly over-ruled, it must be regarded as a binding authority as regards ordinary though not preference shareholders. He continued: "It is easy to visualise a foreign company, whose business is of financial character, carrying on a business here which consists solely of dealing in stocks and shares of English companies. Their profits thus would consist in part of dividends on the shares which they possessed when dividends were declared, and partly of the profits they made on sales"; and "there would be no ground for distinguishing between the two classes of profits." This is essentially the same view as that expressed by Lord Atkin, *obiter*, in regard to the dividends in *F.P.H. Finance Trust, Ltd. v. C.I.R.* noted in this issue, but in a different connection.

Income Tax—Annuities free of income tax—Will made before September 3, 1939—Codicil made September 25, 1939—Will confirmed by codicil—One annuity increased from £300 to £400 by codicil—Whether will made before September 3, 1939—F.A., 1941, Section 25 (1).

In *In re Sebag-Montefiore* (C.A., May 15, 1944, T.R. 207), there came before the Court of Appeal the point which it had reserved in *In re Waring* (1942, 1 Ch. 426), noted in our issue of November, 1942. In the meantime, Simmonds, J., in *In re Tredgold* (1943, Ch. 69) noted in our issue of June, 1943, had held that where the codicil confirmed the will, the testator was reviewing his testamentary dispositions and, in effect, making his last will. The Court of Appeal disagreed with this decision. The Master of the Rolls, in the course of his judgment, said that where the will contained a complete provision and all that the codicil did was to confirm it, he could not construe the subsection as to say that the provision was made by the codicil. Mackinnon, L.J., said that the word "made" in the subsection was not a term of art, but had meaning as a simple English word; and all the Court agreed that the will of August 28, 1937, as varied by the codicil, would have been equally valid and effective if the confirmatory words had been omitted. As regards the increase in one annuity from £300 to £400, it was, after the judgments had been given, agreed that the additional £100 was not affected by the subsection.

Company Law Amendment Committee

Summary of Minutes of Evidence—XI

We present below a summary of the chief points raised in written and oral evidence before the Company Law Amendment Committee on its twenty-third sitting day, July 14, and in part of the proceedings on the twenty-fourth day, July 25, 1944. We hope to summarise next month the remainder of the twenty-fourth day's evidence and that given on the twenty-fifth day. Readers are advised to obtain the full Minutes of Evidence published by H.M. Stationery Office.

General Federation of Trade Unions

On the twenty-third sitting day evidence was tendered by representatives of the General Federation of Trade Unions. The Chairman asked Mr. George Bell if the Federation had come across any instances of unsatisfactory capitalisation since the beginning of 1930—that is, since the 1929 Act had been in force—and the witness replied that he had not seen them on a large scale, adding that the state of trade had not justified them anywhere. On the Federation's recommendation that all reserves should be disclosed, the Chairman made the point that, while he saw the importance of such a provision from the point of view of the shareholder and investor, he would have thought that from the point of view of the workman there was a good deal to be said for inner reserves, because inner reserves prevented undue pressure for dividends. The answer was that inner reserves were added to very often at the expense of the working people's wages.

On the question of disclosure by private companies, Mr. H. M. Moulden said that the Federation stood rigidly on the principle that a workman ought not be made to suffer in his wages because of the inefficiency of an employer; and he declared that without details of the financial structure of a company no proper judgment could be made at all. Asked whether non-disclosure created a general suspicion among the men that some mystery existed, the witness commented: "The higher a wall is built around an orchard, the more determined is a boy to climb it."

During a discussion on bonus shares, Mr. R. P. Wilkinson expressed surprise that the trade unions were prepared to approve the issue of such shares. Mr. Bell said: "If a company capitalises, say, £50,000 from reserve for improving machinery, plant, buildings and so on, what objection can we make? Their money has been spent in legitimate form for improvement of trade,

for improved employment or for adding to the business operations, extensions and so on. How could we possibly object?" Mr. F. B. Horde suggested that the information which trade unions sought from company accounts was of such a character that its provision was more a question for social legislation in some different context. Mr. Bell's answer was that it was a question of how company law affected the general public of this country and whether any defect in it became a danger to the community. "In our opinion," he said, "the lack of details furnished by private companies becomes a permanent irritation and, if I may say so, a bee in the bonnet of thousands of people, never satisfied, always thinking that someone is out to do them."

Mr. H. B. Samuel

The next witness was Mr. H. B. Samuel. In the matter of prospectuses Mr. Samuel ventured the opinion "that it might well be that the more questionable the issue the higher the rank and professional prestige of the accountants employed." This led to an interchange between the witness and Mr. Russell Kettle, F.C.A.

Mr. Kettle: I think you said that your knowledge from friends in the City was that auditors received prospectus fees for allowing their names to go on prospectus quite apart from the fees they receive for giving their reports?

Mr. Samuel: I do not think I meant to go as far as that.

Mr. Kettle: I want to get that clear, because I was going to ask you whether you had any personal knowledge of any case in which a firm of auditors have received a fee purely for allowing their name to go on a prospectus, apart from any work they have done on that prospectus?

Mr. Samuel: No. I would like to make it clear that I have no particular knowledge of the basis on which

fees are paid to accountants and auditors, but I have an idea—I cannot particularise in any way, but I have an idea—that their fees are substantial, and indeed in my memorandum I think I made it clear that I had no particular knowledge because I suggested that this committee should make enquiries with regard to what those fees actually were.

Mr. Kettle: Do not you think it rather unfair to come before this committee and allege that auditors do get these fees, and then say that you have no knowledge of anyone having such a fee?

Mr. Samuel: I do know certain very high-class accountants who do not get prospectus work because they are strictly meticulous.

Mr. Kettle: That is nothing to do with the question of fee. You are putting an entirely different proposition.

Mr. Samuel: I agree that was the converse.

Mr. Kettle: It is not the converse at all.

One of Mr. Kettle's questions was directed to ascertaining whether Mr. Samuel thought that any appreciable number of companies was dishonestly conducted. The answer was: "I should say a sizeable number. I do not think that the relatively small number of notorious scandals is an indication of the number of unsatisfactory companies."

Shell Transport & Trading Company

On the twenty-fourth sitting day Sir Robert Waley Cohen gave evidence in elucidation of a memorandum lodged with the committee by the Shell Transport & Trading Company. Sir Robert urged that whenever a vote is exercised in respect of a share, the actual beneficial ownership of the share should be declared. Asked why a declaration should not be demanded at the time ownership was acquired, the witness said that foreign investors did not always wish it to be known that they were investing, and it seemed to him that we should not require them to be known unless they desired to exercise power in this country. Sir Robert thought that the introduction of shares of no par value would not only attract capital but attract business. Explaining the distinction, he said that what he meant by business was the utilisation of this country as a headquarters of commerce and industry. "One has to have two things in mind," he said. "One is to attract capital in the purchase of shares, the other, which is perhaps more far-reaching, is to maintain as far as we can this country as a centre from which as many people as possible prefer to do world business."

Sir Robert opposed the suggestion that shareholders who dissented from a resolution varying the rights of a particular class of holder should be able to apply to the Court to have the variation cancelled within a period of 14 or 21 days rather than within the present period of seven days. The Chairman expressed surprise, remarking that Sir Robert was the first of many witnesses who had seen any objection to either extending the time or reducing the percentage from 15 per cent. to 10 per cent. Sir Robert said that he had had some experience of the troubles arising in America as the result of their really placing control of companies in the hands of minorities, and he added, "In this country it is quick action that is very often of the utmost importance." Asked for his opinion on the desirability of making legislative provision to prevent companies from going into liquidation in order to get rid of high-rated preference shares without the consent of a special class meeting, the witness declared that the number of preference shareholders was legion and the number who had suffered from any such action was infinitesimal, and therefore he would be disposed to leave matters as they stood.

Giving evidence at a later date, Sir Robert cleared up some previous remarks he had made about the annual register and the return of shareholders. He declared that the idea of having a list of shareholders at Bush House as well as at the office of the company, both open to the public, seemed to be giving exceptional facilities, both of which were very rarely used. His desire was to suggest that the requirement to file a list of shareholders at Bush House should be abolished, leaving the register of members available to the public at the registered office. He said that the copy of Shell Transport & Trading's register was three feet thick. Invited to indicate what disadvantage a company would suffer if it disclosed its secret reserves, the witness gave this reply: "I think that if the secret reserves were large because the directors had some doubt about a factor that could not be determined, that would give undue confidence; if they were small because the directors had reason to believe that some other asset was going to be found much more valuable than it appeared in the balance sheet, then I think it would give undue anxiety; and I think it is important that the tendency should not be encouraged for shareholders to try to follow a business that they cannot possibly manage."

On the subject of information in accounts, Sir Robert declared that it was a mistake to give "three-volume novels" with the balance sheet. He thought it was better to show "the true position on broad lines" rather than to split the income into varying details which might be only temporary. Asked for his view on the suggestion that the auditor, as the expert in accountancy matters, should, instead of the chairman, have the duty at the annual meeting of explaining the accounts to the shareholders, Sir Robert said: "I have not found all auditors very good at giving explanations, and I think perhaps their training is rather in the making of accounts than in explaining them to uninformed people."

Auctioneers' and Estate Agents' Institute

The next witness gave evidence on behalf of the Auctioneers' and Estate Agents' Institute of the United Kingdom. The Chairman questioned whether it could be said that valuation as a going concern did not inevitably include an element of goodwill, and Mr. W. W. Withers agreed that such an element might be present. On the other hand Mr. E. G. Bigwood considered that the basis of valuing as a going concern was the cost price of the buildings and plant and machinery less an allowance for depreciation, and he considered quite definitely that that did not include anything in respect of goodwill. In making a valuation on the basis of a going concern, he added, nothing was added to the figure in respect of goodwill.

The minutes of evidence include a supplementary note from the Institute in which the representatives who gave oral evidence say that they would not like their answers on that occasion to be regarded as the considered opinion of the Institute on "goodwill" and "going concern value." The note states that by goodwill the Institute understands the relationship which has been built up by the company with its suppliers and its customers partly by purchases and sales over a period of time, and partly by advertisement. Such relationships may well constitute an asset of great value, but in the opinion of the Institute they should not be taken into account by the valuer when valuing the fixed assets on a going concern basis. The note adds that there has been a tendency in recent years for issuing houses to eliminate goodwill as an item and to write up buildings, plant and machinery and stock to a value which really includes goodwill. This, in the opinion of the Institute, is wrong.

Publications

Recommendations for Uniform Cost-Estimating and Cost-Finding for the Drop Forging Industry. (Costing and Standardisation Committee of the Association of Drop Forgers and Stampers, Birmingham.)

Although not the first association to arrange for the preparation and publication of recommendations for estimating and costing within a particular industry, the Association of Drop Forgers and Stampers and the members of their Costing and Standardisation Committee are to be congratulated on having tackled and so successfully completed such a job. The presentation of the reading matter and the appendices is excellent; the text and the relative portions of the appropriate forms can be read together without effort, thereby facilitating an understanding of both.

The cost estimating section is both clear and comprehensive, and it is probable that this will be adopted by the industry more quickly and more easily than will portions of the cost finding section.

The proper completion of the estimating form, with the help of even reasonably accurate cost data, will do much to ensure that the prices quoted are adequate to recover all costs and secure a profit. In his foreword, the President of the Association "commends the proposals (because) the full knowledge of facts is an aid to management and shows where efficiency can be improved . . . and competition becomes the healthy competition of efficiency." Expressed another way, uniformity of estimating and costing does *not* mean uniformity of selling prices, and it is important that this point should be realised. In this connection the book makes no reference to the fact that in most industries some orders are taken at prices below those built up on a proper estimate, when it is known that the latter prices cannot be obtained and they are believed to be in excess of quotations being submitted by competitors of standing.

The chapter and appendices on Departmental Codes and Account Numbers cover an important subject (and one which can become very complicated) in a manner which will enable the reader to grasp the need for such a scheme in his accounting set-up. It would be more helpful if there could be more "horizontal" similarity in the numbers, e.g., Production salaries is Account 601, Administration salaries 711 and 712, and Sales salaries 811, 812 and 813. If they were 601, 701 and 801 respectively, with a fourth figure for sub-divisions, as is, in fact, shown for other accounts, the numbers would be easier to memorise and therefore more readily used and appreciated. Preferably, consideration might be given to using one account number for each class of expense and a letter for each department, e.g., 601 for all salaries, and "P" for Production, "A" for Administration, and "S" for Sales Department, etc., thereby enabling with a minimum of effort the total expenses of a given account number to be ascertained or, alternatively, the total expenses of a given department. In arranging account numbers, it is desirable to ensure that the arrangement is flexible enough to meet all reasonable demands for both horizontal and vertical analysis.

One sentence in the chapter on labour deserves to be printed in block letters: "THERE IS NO OBJECT IN CALCULATING FINAL . . . COSTS TO THREE PLACES OF DECIMALS FROM ORIGINAL DATA BASED ON APPROXIMATIONS."

The specimen Overhead Recovery Schedule is very good, but may be considered too complicated for the smaller concerns. The section on Overhead Control

deals too briefly with the importance of estimating future overhead expenditure and with the futility of close estimating if the final result of actual operations should be a substantial under or over-absorption of overheads.

A chapter on budgeting or forecasting and the need to review closely variations in past and current and estimated future expenditure, etc., would be a helpful addition to the book.

It is to be hoped that the book will find such a ready acceptance within the industry that the Committee will be asked to continue its labours and publish further volumes dealing in greater detail with the many important matters which are compressed within the 67 pages and 12 appendices of its first publication. As a general précis of an important subject, the book is worthy of perusal by every accountant, industrial or professional.

A Series of Four Lectures. (The Incorporated Accountants' Students' Society of London and District.)

This reprint of the lectures delivered during the Spring session of the present year is one of the most interesting and valuable of the half-yearly booklets issued by the enterprising London Students' Society.

We begin with a lecture on "The Principles of Investigation," by Mr. D. Mahony, F.S.A.A., than whom no man is better able to discuss these complicated and often protracted matters. Instead of describing a particular type of investigation, he makes an investigation into investigations illustrated by practical examples. Due weight is given to personal factors and to the necessity for a careful review on a synthetic basis of the results achieved—matters which sometimes tend to be overlooked. A careful reading, and indeed re-reading, of this lecture will enable the student to avoid most of the numerous pitfalls which will beset his path when he undertakes this work.

Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A., discourses with his usual lucidity upon some of the topical factors of income taxation. He commences with P.A.Y.E. and is particularly helpful in his description of the discharge of tax for 1943-1944. He then goes on to explain modern developments in relation to the statement of income tax provisions in annual accounts.

Mr. Collin Brooks is the most interestingly provocative of lecturers, and the subject of "Controls in the Post-War Period" is one suited to his natural capacity for clear exposition and incisive speech. "Why control?" Because the circumstances of the immediate post-war years make it inevitable if complete chaos is to be avoided. "Who should control?" In Mr. Brooks' view, the people engaged in the manufacture or distribution of the product concerned. He instances control of agriculture by the agriculturalists under the Wheat Act, 1932, which he says is a very successful example in that the community has been charged nothing appreciable for administration! He does not say how much subsidy has been paid. On "What manner of controls?" Mr. Brooks says that "controls which are imposed merely to reshape communal life to someone's plan are definitely invalid and socially and politically immoral."

The booklet also reports a visit from the Right Hon. Sir Walter J. Womersley, J.P., M.P., Minister of Pensions, who expounds the human side of his Ministry. This it is impossible to summarise, and much information is given which is inaccessible elsewhere.

FINANCE

The Month in the City

The Market Trend

The incipient recovery in industrial share prices which was noted here last month has continued over the past few weeks. Often the movement has been barely perceptible from day to day, but a survey of prices over the period shows that there must have been some restrained and selective buying. There have been no signs so far of any real broadening of public interest, though a few groups of securities have enjoyed some intermittent popularity. Shipping shares, for example, advanced for a time on the evidence that some progress is being made towards solving the industry's post-war problems, while both aircraft shares and railway stocks have benefitted from the proposal of the railways to operate extensive air services without subsidy, provided that no other operators are subsidised. The publication of the Government's plan for social insurance had a temporarily depressing effect on insurance shares, particularly, of course, on those specialising in industrial assurance. Subsequently, the belief that the companies concerned will be able to find new outlets for their enterprise has gained ground, and there has been a considerable recovery in prices. The loss of workmen's compensation business had very little effect on prices, since it forms so small a proportion of the total activities of most companies.

Australian Conversions

In addition to the series of municipal conversions likely to take place in 1945, which were discussed here last month, there is the prospect that Australia will wish to convert or repay the Commonwealth and State loans which become optionally redeemable in the same year. The amount involved is about £108.4 million, and the principal issue is Australia 5 per cent. 1945-75, of which there is £68.4 million outstanding. At the time of the last bulk conversion of Australian high interest-bearing stocks in 1941, the terms were distinctly less favourable than those obtained by British corporation borrowers in the same year. Since then, however, there has been a radical change in Australia's position. The military threat has disappeared, and the Commonwealth's sterling balances in London had risen to £120 million by the end of last June. The fact, however, that these abnormal balances arise out of temporary causes, such as the shortage of imports and the dollar expenditure of American troops in Australia, makes it highly unlikely that Australia will employ the whole of the money in repaying her optionally redeemable loans in cash. Instead, the greater part will, no doubt, be required for the restoration of imports after the war. At the same time, it is thought to be not impossible that a part repayment will be effected, and the great improvement in Australia's circumstances generally suggests that the very cheap conversion terms now being obtained by British municipalities may not be altogether irrelevant to the terms appropriate to Australia. It is not to be expected that the terms will be quite as cheap as those of the municipalities, which are now converting on the basis of 3 per cent. 1964-69 at 99, but it would not be surprising if Australia were able to issue a medium-dated 3½ per cent. stock at par, or a 3½ per cent. stock at 99. With this possibility ahead, it is debatable whether the ordinary investor, as distinct from the financial institution enjoying special tax privileges, should continue to hold to redemption the Australian stocks which mature next year.

Brazilian Options

By the end of this year holders of Brazilian bonds must make their choice between Plan A and Plan B

of the debt scheme, and if they fail to express their preference, they are automatically included under Plan A. The general characteristics of the two plans are that A involves no capital cut, while B compensates for a capital reduction of 20 per cent. in the senior grades and of 50 per cent. in the lower grades by cash payments and usually by higher rates of interest and amortisation. When the scheme was first announced, it was difficult to decide which of these characteristics was the most important from the investor's point of view. For many months past, however, it has been apparent that the Brazilian authorities are purchasing their bonds in the market at a far more rapid rate than was indicated by the official amortisation figures. It is estimated, indeed, that if sinking fund purchases continue at the current level, it will only be a matter of five to ten years before the entire debt is extinguished. There is, of course, no assurance that purchases will continue at the present rate, but their effect in producing a continuous appreciation in the bonds over the past few months has caused a shift of feeling about the relative merits of the two plans. Given the current rate of purchases over and above the official amortisation, there is obviously more scope for improvement under Plan A, which involves no cut in the bondholder's capital. Under Plan B, on the other hand, prices are already getting very near the new reduced par values.

Russian Debts

Russian bonds, which are now quoted at between 1 per cent. and 4 per cent. of their nominal value, and have been in default since 1918, have attracted some attention on a statement of Government policy contained in a letter from the Foreign Office to the London agents for some of the railway and municipal loans. This states that "the possibility of arranging a settlement of Tsarist Russian bond issues has been considered at various times, and His Majesty's Government are desirous of obtaining a settlement of this question as part of any permanent commercial treaty with the Soviet Union." There is, of course, nothing new in this attitude on the part of the British authorities; it has been consistently upheld since Russia's external debt was first repudiated. At the same time, it is interesting that the policy should have been reaffirmed at this particular juncture. In addition to the claims of Russian bondholders, there are, of course, the claims of companies and individuals whose property in Russia was expropriated. On the other side, it is believed that there are substantial balances in the hands of the Tsarist Government's London bankers, as well as with other London banking houses, all of which would have to be taken into account if ever a settlement were seriously considered.

S.E. Nominations

Normally nominations for membership of the Stock Exchange have to be transferred within a year from the death or resignation of a member. But in order to put no obstacle in the way of members wishing to join the Forces, the Committee extended this period to twelve months after the conclusion of peace. Now, however, a further change has been made on the grounds that this definition is too vague, and the period has been set at "twelve months after a date (not earlier than March 25, 1945) to be fixed by the Committee." At the same time, the Committee has published the total number of nominations which have accumulated. The figure of 669 suggests that the supply is fairly ample, and its announcement has been followed by a fall in the price of nominations.

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Points from Published Accounts

Lever Brothers' Consolidated Accounts

The accounts of Lever Brothers & Unilever for 1943 provide an outstanding illustration of what can be achieved within the rigid limits set by current paper restrictions. There is a statement of profits starting with the group's aggregate profit of £17,590,598, showing the debits against this amount, and indicating how the resultant net surplus has been allocated as between the subsidiaries and the parent concern. The net profit of the latter comes out at £6,593,239; but that is after deducting £1,486,503 for "the company's proportion of the increase to the undistributed profits, less losses, of subsidiary and allied companies." Shares in the subsidiaries appear in the parent company's balance sheet at £68,061,586, with shares in allied companies standing at £5,751,843. In addition, loans and current accounts with the subsidiary and allied concerns appear as assets of £23,299,987. These items bear so large a relationship to the total assets of £111,901,159 that the accounts would have little value without the consolidated profits statement, which is supplemented by a very detailed consolidated balance sheet. But a special word of praise deserves to be offered, seeing that the company's interests are very widely spread, making the preparation of these accounts a truly formidable task. Moreover, some very helpful comments on the accounts are incorporated in the directors' report. Without these explanations it would not be immediately apparent, for instance, that an exchange profit of £1,000,000 for which credit is taken is fully offset, as to £800,000 by E.P.T. and as to £200,000 by the provision which has been made for future differences on exchange. It is interesting to note that the special profit arises mainly from the revaluation of net outstanding balances in the liberated French Colonies and metropolitan France following the stabilisation of the rate of exchange.

Furness Withy

A more detailed profit and loss account is submitted this time by Furness Withy. The only credit shown twelve months back was an omnibus item described as "profit for year ended April 30, 1943, after crediting dividends received and making provision for taxation." On this occasion profits are disclosed before deducting tax, which is a debit of £409,050, and are moreover split into separate items—profit on vessels' trading, branch offices and agencies, £466,668; gross dividends from subsidiary shipping companies, £229,837; and gross dividends from general investments and investments in subsidiary companies other than shipping, £253,213. Adjusted comparative figures are given for the previous year, and from this it can be seen that the total gross revenue of £949,718 compares with £901,189 in 1942-43. The balance sheet is also more informative, the item described a year ago as "Sundry creditors and credit balances (including vessels' current accounts and provision for taxation and dividends)" now being shown to consist of four constituent items. Vessels' current accounts are shown separately at £292,866, with provision for deferred repairs, exchange fluctuations and contingencies at £355,497 and provision for dividends at £198,756. This is a welcome change, as on the last occasion there was nothing in the balance sheet narrative to indicate that the "credit balances"

included provision for deferred repairs, exchange fluctuations and contingencies. Another improvement made this time is that the tax provision included with sundry creditors is described as "provision for taxation on profits to date." It would have been better to have segregated this item. Further, so long as there is no consolidated balance sheet to elucidate the significance of investments of £4,085,984 in subsidiary shipping companies and of £954,987 in other subsidiaries, a fundamental deficiency in the method of drawing up the accounts still remains to be remedied.

United Motors

While United Motors presents a group balance sheet it has not accepted the principle of consolidation in regard to the profit and loss account. The chief item of revenue is £17,212 representing "profit on trading, including results of subsidiary companies." The statutory declaration intimates that the profits of three subsidiaries and the losses of two others have been included. The amount carried forward from the 1943 accounts was £38,315, the amount brought in to the present accounts is £43,859. Deducting £5,544 for the 32 per cent. tax-free dividend paid for 1942, we get back to the balance of £38,315 already mentioned. But this has been reduced by deducting reserves of £4,360 for obsolete stock and £5,000 for taxation (including E.P.T.). It is not stated whether these items represent a cumulative charge or are attributable to the 1942 results. Were the total of £9,320 to be placed against the 1942 profit of £11,434, the showing for that year would appear very different from that made in the accounts. This manner of treating reserves for obsolete stock and taxation inevitably raises the question whether the amount of £35,413 carried forward from the present accounts might not be subject to deductions before being brought into the statement for the current year.

Preliminary Statements

In recent years the practice of issuing preliminary statements has been embraced by a very large number of companies. In 1938 the Stock Exchange Committee urged that such announcements should follow a standardised form and, in particular, should give official comparative figures. The need for taking these precautions has come to be overlooked in the course of time. How necessary they are has been illustrated by the confusion which followed on the preliminary announcement of Electrical & Musical Industries that the profit for the year to June 30 last was £149,250. This was generally taken to go against a profit of £174,357 shown in the preliminary statement issued a year earlier. This comparison proved, however, to be inaccurate, for whereas the earlier figure was a group profit the latest figure was the profit shown by the parent company alone. This was made clear in a subsequent statement by the company which said: "The figure of profit of Electric & Musical Industries, Ltd., of £149,250 compares with £127,500 published last year. The profit of the group for the year ended June 30, 1944, is £182,024, and compares with a figure of £174,357 for the previous year." This phraseology might well be adopted as a standard for the future, as being informative and effective.

Society of Incorporated Accountants

RESULTS OF EXAMINATIONS

AUGUST, 1944

Passed in Final

Order of Merit

ELLIS, JOHN DESMOND MARSDEN, Clerk to F. W. T. Mills, Wakefield. (*First Certificate of Merit and Prize*).

Alphabetical Order

AYLING, WILLIAM WALTER, Borough Treasurer's Department, Margate.
 BANFIELD, HUBERT THOMAS, Borough Treasurer's Department, New Malden.
 BARRETT, HARRY JOSEPH, Clerk to Howard Morris & Crocker, Portsmouth.
 BARTER, GEOFFREY TERENCE, Clerk to Marcus H. Eve, Coleford.
 BASSHAM, WILFRED ERNEST, Borough Treasurer's Department, Walsall.
 BROWNING, MARGARET RUTH, Clerk to Nevill, Hovey, Gardner & Co., Hove.
 CLODE, STANLEY JAMES, Clerk to Turquand, Youngs, McAuliffe & Co., London.
 DEMPSEY, JAMES ALOYSIUS, Clerk to Mervyn Bell (J. A. Kinnear & Co.), Dublin.
 DENT, ARTHUR, Borough Treasurer's Department, Stockport.
 DUXBURY, ALAN HOLT, Deputy Borough Treasurer, Stalybridge.
 FRANCOMBE, IRENE MAY, Clerk to Ferguson-Davie & Co., London.
 HONE, ANTHONY, Clerk to Greenslade & Co., London.
 HOUGHTON, HAROLD (Charlesworth Bros.), Stockport (Practising Accountant).
 KAY, JOHN WINDER, Borough Treasurer's Department, Darwen.
 KEAR, HERBERT THOMAS BRITTON, formerly Clerk to Ernest A. Prince & Son, Cardiff. (Serving with H.M. Forces).
 LIND, GEORGE OGILVIE, Clerk to Blakemore, Elgar & Co., London.
 LOKER, HORACE, Feltham. (Practising Accountant).
 MACKETT, ANNE SYLVIA, Clerk to H. O. Johnson (Mundy, Brewer & Johnson), Bath.
 O'CONNOR, NIAL THOMAS, Clerk to F. R. O'Connor, Dublin.
 ROSSER, IVOR CHARLES, Clerk to Winston Curtis, Neath.
 RUFUS, ERNEST EDWARD WILLIAM, Clerk to Sharles, Rickard, Pickstone & Co., London.
 SMART, NORMAN STANLEY, Clerk to J. Durie Kerr, Watson & Co., Birmingham.
 STEPHENS, WILLIAM HENRY, Borough Treasurer's Department, Gillingham, Kent.
 STORY, JOHN CULLEN, Clerk to J. A. Kinnear & Co., Dublin.
 THOMAS, GORDON GLYN, Clerk to Thomas Seward & Co., Cardiff.
 VESSEY, RONALD, Clerk to Camm, Metcalfe, Best & Co., Sheffield.
 WALKER, DAVID, Clerk to Watson & Tebbet, Leicester.
 WARBURTON, ERNEST, Deputy Borough Treasurer, Altrincham.
 WARREN, ARTHUR FREDERICK, Clerk to Charles A. J. Peplow, Newton Abbot.
 WICKEN, FREDERICK HENRY, Clerk to McCabe & Ford, Maidstone.
 YATES, SYDNEY, Deputy Borough Treasurer, Folkestone.

SUMMARY :—

1 Candidate Awarded Honours.

31 Candidates Passed.

26 Candidates Failed.

58 Total.

Passed in Intermediate

Order of Merit

FARRAND, JOHN, B.Com., H.M. Inspector of Taxes, Portsmouth. (*First Place Certificate*).

Alphabetical Order

ANSTEAD, CHARLES MURRAY, Clerk to J. M. C. Lawson (Black, Geoghegan & Till), Walton-on-Thames.
 BAYLISS, TREVOR JOHN, Clerk to W. J. Pallot (Richard Leyshon & Co.), Cardiff.
 BENNETT, VIOLET JOYCE WILLIAMS, Clerk to Percival White (White & Pawley), Plymouth.
 BROWN, CYRIL TREVOR, Clerk to A. E. Hepburn, London.
 BURDGE, LEONARD HENRY, Clerk to William Fisk, Borough Treasurer, Maidstone.
 BUTTERWORTH, JACK, Clerk to Samuel Slater & Sons, Oldham.
 CLAY, ERNEST CHARLES, Borough Treasurer, Mitcham.
 COULSON, DOUGLAS ARCHER STEVENS, Clerk to Chas. W. Rooke, Lane & Co., London.
 CUMMINGS, WILBUR, Clerk to Robert Bell (Martin, Shaw, Leslie & Shaw), Belfast.
 CURWAIN, ROBERT DAWSON, Clerk to Singleton, Fabian & Co., London.
 DE GARIS, JOHN ABRAM COGAN, Clerk to Black, Geoghegan & Till, Walton-on-Thames.
 DEVINS, GERALD, Clerk to W. J. Fooks (J. Fooks & Sons), Cardiff.
 DILLEY, FRANK KENNETH, Clerk to F. W. Clarke & Co., Leicester.
 DUBBINS, LESLIE GEORGE, Borough Treasurer's Department, Bethnal Green, London.
 DUFFELL, NELLA RITA, Clerk to R. McNeil (Nevill, Hovey, Gardner & Co., Hove).
 EMMS, HARRY, County Accountant's Department, Derby.
 HALSEY, CHARLES STANLEY, formerly in Borough Treasurer's Department, Leyton, London. (Serving with H.M. Forces).
 HAYES, EDWARD GEORGE, Clerk to R. H. Munro & Co., London.
 HEATH, RICHARD BARHAM, Clerk to Bryden, Johnson & Co., London.
 HURST, JOHN GORDON, Clerk to F. M. Parker (Thomas May & Co.), Leicester.
 JERMYN, HENRY CECIL, Clerk to Christopher J. Dalton (William C. Ribbeck & Co.), Dublin.
 JONES, KENNETH WATTS, Clerk to Tribe, Clarke, Darton & Pollock, Rochester.
 LAPPIN, JOHN, Clerk to B. Kiernan (Alfred Nixon, Son & Turner), Manchester.
 LEE, HARRY FRANCIS, Clerk to Daffern & Co., Coventry.
 LEMON, GEORGE ARTHUR, Clerk to H. E. A. Addy (Muir & Addy), Belfast.
 LEWIS, GWILYM, Clerk to B. Davies (B. Davies & Co.), Merthyr Tydfil.
 LEWIS, VICTOR CHARLES, Clerk to Hodgson, Harris & Co., Dublin.
 MACDONALD-BROWN, JOHN, M.A., H.M. Inspector of Taxes, London.
 MARSH, SYBIL KATHLEEN, Clerk to A. H. Edwards (Edwards & Edwards), Dorchester.
 MARSHALL, JOCELYN RUTH, Clerk to G. J. Hakim (Clements, Hakim & Co.), London.
 MARTIN, WILLIAM IVOR JOHN, Clerk to W. J. Ching (W. J. Ching & Co.), Tavistock.
 NIVEN, WILLIAM GILLIES, Clerk to A. G. Milton, Borough Treasurer, Weston-super-Mare.
 O'SULLIVAN, MICHAEL ANTHONY, B.A., Clerk to W. A. Kenny (Purtill & Co.), Dublin.
 PERKINS, REGINALD BRUCE, Clerk to Thomas Coombs & Son, Leeds.
 QUIN, ALAN MALCOLM, Clerk to S. A. Martin, Dublin.

REES, MARK JACOB, LL.B., B.Sc., Practising Accountant, Leicester.
 SANDERSON, ROWLAND, City Treasurer's Department, Carlisle.
 SHERLOCK, THOMAS HERBERT, Clerk to S. J. Clark (Westlake, Clark & Co.), Southampton.
 SMYTH, JAMES ROWE, Clerk to Alfred Tongue & Co., Manchester.
 SOWERBY, THOMAS WILLIAM, City Treasurer's Department, Carlisle. (Serving with H.M. Forces).
 SPOTTISWOODE, COURTENAY JOHN, Clerk to Cash, Stone & Co., London.
 STOKES, EDWARD JOHN, Clerk to Holmes-White, Herbert & Co., London.
 SWALLOW, LESLIE EDWARD, Clerk to Farrow, Bersey, Gain, Vincent & Co., London.
 SWEETING, EDWARD, Clerk to Deloitte, Plender, Griffiths & Co., London.
 WARDLE, WILLIAM KENNETH, Clerk to Wallace Davis, Liverpool.
 WEBBER, DOUGLAS GEORGE, Borough Treasurer's Department, Barking.
 WHITTAKER, KENDAL, Clerk to A. J. Whiteley (Alfred Nixon, Son & Turner), Manchester.
 WOOD, ROLAND FREDERICK, Clerk to F. W. Doleman (F. W. Clarke & Co.), Leicester.
 WOODS, HARRY EDWARD, Borough Treasurer's Department, Southampton.
 YOUNG, SAMUEL, Clerk to Rawlinson, Allen & White, Belfast.

SUMMARY :—

1 Candidate Awarded Honours.
 50 Candidates Passed.
 80 Candidates Failed.

131 Total.

Passed in Preliminary*Order of Merit*

BLAKEMORE, GEOFFREY, 22, Hawthorn Avenue, Elton, Bury. (First Place Certificate and Prize.)

Alphabetical Order

ABBOTT, HARRY, 2, Hatton Moor Avenue, Selby Road, Leeds.
 ADAMS, ROBERT WILLIAM, 42, Burt Avenue, Balkwell, N. Shields.
 BELL, JOHN ALEXANDER, Belmont, Merton Road, Rathmines, Dublin.
 BLACK, WILLIAM JOSEPH, Hillcrest, Milecross, Newtownards.
 BUCKERIDGE, JOHN DOUGLAS, Provincial Bank House, Castletown Berehaven, Co. Cork.
 CHAPMAN, RICHARD DESMOND, Sylvan Ridge, Whisper Wood, Loudwater, Rickmansworth.
 CHINERY, PETER FRANK, 11, Edwin Road, Stirchley, Birmingham.
 COLLINS, KEVIN JAMES, 24, Gilford Road, Sandymount, Dublin.
 CROSS, MARGARET JEAN, Coal Pit Field Farm, Bacup.
 DONALDSON, JOHN WARNOCK, 24, Buckingham Street, Belfast.
 DUNWELL, ALAN, 9, Greystoke Avenue, Levenshulme, Manchester.
 EVERITT, RONALD JOHN, 53, Broad Square, West Derby, Liverpool.
 FLETCHER, JACK, 2, Ennerdale Road, Bolton, Bradford.
 FORRESTER, DAVID, 274, Muirhall Street, Coatbridge.
 GOWDLING, RONALD GEORGE, Hillview, Highlands Road, Fareham.
 HARRIS, RONALD, 66, Albany Street, Spring Bank, Hull.
 HEMINGWAY, PETER, 59, Lumley Road, Burley, Leeds.
 HIRST, LESLIE, 20, Lilian Street, Fenby Avenue, Dudley Hill, Bradford.
 HORTON, DENYS FARNILL, 21, Crossfield Road, Hessle, East Yorks.

HYMAN, CYRIL, 21, Markmanor Avenue, Walthamstow, E.17.
 KERR, ALBERT, 39, Church Street, Lisburn, Co. Antrim.
 LAMB, JOHN MAURICE, 60, Wyndham Road, Canton, Cardiff.
 LANE, WILLIAM ALBERT, 20, Netherclose Street, Derby.
 LOGAN, PETER JAMES, 66, Manwood Road, Crofton Park, London, S.E.4.
 McDERMOTT, RICHARD DESMOND, 49, Beaumont Road, Drumcondra, Dublin.
 MATHIAS, RONALD SIDNEY GEORGE, 519, Romford Road, Forest Gate, London, E.7.
 MAYNARD, GEORGE FRANCIS, 100, Greenvale Road, Eltham, London, S.E.9.
 NESS, JAMES STEIN, 91, Townhill Road, Dunfermline.
 PAILTHORPE, STANLEY, 49, Clyde Street, Cheetham Hill, Manchester.
 PARISH, ROYSTON RICHARD BRIAN, 39, Woodfield Avenue, North Wembley, Middlesex.
 PEGG, RONALD CLEMENT, Windy Ridge, Beecher Road, Colley Gate, Cradley, Staffs.
 PICKERING, GEORGE IVOR, 91, Welford Road, Blaby, Leics.
 REYNOLDS, SIDNEY, 144, Hatton Gardens, Newark.
 RICHARDS, GERALD MEIRION, 7, Lochaber Street, Roath Park, Cardiff.
 SAVAGE, ROLAND, Ballydian, Saintfield, Co. Down.
 STEPHENSON, BRIAN, 12, Ventnor Street, Newland Avenue, Hull.
 STEPHENSON, FREDERICK ARTHUR, 67, Brunswick Drive, Skegness.
 SUMMERS, PHILIP JOHN, 31, Beaufort Avenue, Ward End, Birmingham.
 TAYLOR, ALLAN, 54, Walker Street, Lees Moor, Dewsbury.
 THOMAS, ALAN, 61, Westron Gardens, Seven Kings, Ilford, Essex.
 VAN WITBERGHE, CHARLES GEORGES MARY FRANS WILLIAM, 103, Athol Mount, Ovenden, Halifax.
 WALLACE, THOMAS HENRY, 42, Woodvale Gardens, Belfast.

SUMMARY :—

1 Candidate awarded Honours.
 42 Candidates Passed.
 38 Candidates Failed.

81 Total.

RESULTS OF EXAMINATIONS IN PRISONER OF WAR CAMPS

DECEMBER, 1943

Passed in Final

Alphabetical Order

BODSWORTH, CHARLES WALTER, formerly Clerk to Hancock & Ashford, Sheffield.
 HARVEY, CHARLES CRANSTON, formerly Clerk to McFadden & Wylie, Belfast.

(These names are additional to those previously published).

INTERMEDIATE EXAMINATION

In future, Papers I and IV in the Intermediate Examination will be described as follows:

- I. Book-keeping and Accounts (including Auditing) and Income Tax.
- IV. Book-keeping and Accounts (including Auditing), Partnership and Executorship Accounts, and Income Tax.

The alteration of the titles does not involve any change in the scope of the papers. Elementary questions on auditing have invariably been included in these two papers, and a reference to auditing has now been inserted in their titles. Thus, the new titles more precisely describe the contents of the papers.

COUNCIL MEETING

THURSDAY, OCTOBER 19, 1944

Present: Mr. Richard A. Witty, President (in the Chair), Mr. W. Norman Bubbs, Mr. E. Cassleton Elliott, Mr. A. Stuart Allen, Mr. Walter Holman, Sir Thomas Keens, D.L., Mr. W. Bertram Nelson.

MEMBERSHIP

Membership matters and other routine business was dealt with.

FACILITIES GRANTED TO THE SOCIETY

The Council adopted the three following resolutions in regard to the emergency which arose through damage to Incorporated Accountants Hall:

"That the best thanks of the Society be accorded to:

- (i) The President and Council of the Institute of Chartered Accountants for having kindly afforded accommodation for meetings of the Council and Committees of the Society, and reference library facilities to members.
- (ii) The President and Council of the Law Society for their kindness in having placed at the disposal of the Council, the London District Society and the London Students' Society, rooms at the Law Society's Hall, and in permitting members to use the reference library.
- (iii) Messrs. Temple, Gothard and Co., Incorporated Accountants, for having offered temporary office accommodation to the Society's staff."

The President was requested to transmit these resolutions.

DISTRICT SOCIETIES

LONDON

The annual general meeting of the London District Society was held on October 19 at the Law Society's Hall (by kind permission of the President and Secretary of the Law Society). Mr. J. Scott-Moore, the Chairman, was supported by Mr. F. Martin Jenkins, Vice-Chairman; Colonel W. A. Sparrow, O.B.E., Honorary Treasurer; Mr. Richard A. Witty, President of the Society of Incorporated Accountants; Mr. J. A. Jackson and Mr. A. A. Garrett, Honorary Secretaries, and other members of the District Society.

The meeting confirmed the action of the Committee in convening the meeting by an announcement in *ACCOUNTANCY* and dispensing with individual notices.

The report and accounts were adopted.

Mr. J. Scott-Moore expressed the thanks of the members to the Law Society for the use of their Hall. Some meetings had been held and had afforded interest to those who were able to attend; the District Society was indebted to those who had read papers. It was hoped to arrange further meetings.

The retiring members of the Committee were re-elected, and Mr. L. Quinton was elected to fill a vacancy. Mr. C. B. Hewitt was re-elected Honorary Auditor, with a vote of thanks for his past services. The meeting concluded with a cordial vote of thanks to the Chairman.

At a subsequent meeting of the Committee, Mr. F. Martin Jenkins was elected Chairman, and Mr. A. V. Huson Vice-Chairman. The Honorary Treasurer and the Honorary Secretaries were re-elected.

MANCHESTER

The following meetings have been arranged:

1944

- Nov. 3 "Examination Hints in Income Tax, Executorship, etc.," by Mr. W. Pickles, B.Com., A.C.A., A.S.A.A.
- Nov. 15 Discussion meeting: Tax Problems.
- Nov. 24 "Students' Examination Problems," by Mr. W. Pickles, B.Com., A.C.A., A.S.A.A.
- Dec. 8 "Acts of 1943 and 1944—Tax under Schedule E," by Mr. J. S. Heaton, A.S.A.A.

The meetings on November 15 and December 8 will be held at 6 p.m. at the Grand Hotel, Manchester. Those on November 3 and 24 are Students' meetings, and will be held at 6.15 p.m. at the Estate Exchange.

DUBLIN STUDENTS' SOCIETY

Syllabus of Meetings, 1944-45

1944

- Sept. 27 "Back Duty Cases," by Mr. R. P. J. Smyth, F.S.A.A.
- Oct. 18 Debate: "That the training of an Accountant leaves much to be desired."
- Nov. 8 "Cost Accounts," by Mr. T. V. Rearden.
- Nov. 22 "Holding Companies," by Mr. W. B. Butler, M.A., LL.B.
- Dec. 6 "Examination Hints," by Mr. J. Love, A.S.A.A.
- 1945
- Jan. 10 "Some Practical Points in Auditing," by Mr. D. Telford Boyd, B.Comm.Sc., F.S.A.A.
- Jan. 31 "Machine Accounting: Powers-Samas System," by Mr. R. D. Murphy.
- Feb. 21 "Economic Problems of Ireland," by Dr. J. P. Beddy, M.Comm.
- Mar. 21 "Income Tax in relation to Executorships," by Mr. M. Bell, F.S.A.A.
- April 4 "Corporation Profits Tax and Excess Corporation Profits Tax," by Mr. R. S. Baskin, B.A., A.S.A.A.

PERSONAL NOTES

Mr. R. W. E. Bunn, F.S.A.A., Borough Treasurer of Brighton, has been elected President of the Institute of Municipal Treasurers and Accountants.

Mr. Charles H. Piper, Incorporated Accountant, has retired from the firm of Piper, Barnett & Co. Mr. A. Wood, A.S.A.A., has been admitted a partner in the firm, which will continue as Piper, Barnett & Co., at Birch House, Birch Street, Wolverhampton.

Messrs. Brooke-Smith, Burridge & Co., London & Lancashire Building, 44, Corn Street, Bristol, announce that the partnership has been dissolved. Mr. E. S. Brooke-Smith, A.S.A.A., will in future practise at Baldwin Street (over Bigwood), and Mr. E. E. Burridge, A.S.A.A., is continuing to practise at the former address.

Messrs. Buzzacott, Lillywhite & Co., Incorporated Accountants, Brancott, Canons Close, Radlett, Herts., are now practising at Copthall House, Copthall Avenue, London, E.C.2. Telephone No.: Clerkenwell 6150.

Messrs. W. D. Burlinson & Co., of Batley and Dewsbury, Yorkshire, announce that they have taken over the practice formerly carried on by the late Mr. C. C. Murgatroyd under the style of Murgatroyd & Co., at 23, Park Row, Leeds, 1, at which address and under which style the new proprietors will continue the Leeds practice.

OBITUARY

WILLIAM ROBERTSHAW

With regret we record the death, on October 10, of Mr. William Robertshaw, F.S.A.A., the senior partner in the firm of Wm. Robertshaw and Myers, Incorporated Accountants, of Keighley. Mr. Robertshaw was 83 years of age, and had been a member of the Society since 1890. He took considerable part in local administration, particularly in Haworth, where for fifty years he was clerk to the Urban District Council. He was Treasurer of the Brontë Society for ten years. He was a member of the Methodist Church, which he served in many capacities practically all his life. The funeral was attended by Mr. C. E. Claridge, F.S.A.A., President of the Incorporated Accountants' Bradford and District Society.

EDWARD MICHAEL FORDE

We have learned with regret that Mr. E. M. Forde, A.S.A.A., died suddenly on September 18, at the age of 53. For many years he had been employed in the Eire Civil Service, being appointed Assistant Secretary in the Department of Industry and Commerce in 1943. Mr. Forde became a member of the Society of Incorporated Accountants in 1907, after passing the Final Examination with Honours. In the course of his official duties he was constantly in touch with members of the accountancy profession and others interested in the development of industry in Eire, and he will be badly missed.